

General

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2/28/2008
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Helium Product Update

Dear Valued Customer,

General Welding Supply would like to take this time to thank you for your continued business. We have all made it through a helium shortage that lasted much longer than expected and my hopes are that we all survived it well. We spent great time and effort to find every way possible to reduce the overall impact to our customers and we bring you this update in an effort to keep you informed of current market conditions.

The worldwide helium inventories have now reached stable levels and production now has the capability to maintain product to meet the demand. Although we don't expect on-going shortages, we may still see demand outpace supply at different times of the year. This will unfortunately cause a tighter supply than we were once accustomed to so we are now continually juggling our inventories and supplies to hedge these shortages.

The unfortunate factor in all this change is that when demand outpaces supply product goes to the highest bidder. New technologies, such as fiber-optics, which consumes large quantities of helium in its production, and booming economies in Asia, are creating a war for available helium. The manufacturers are selling this high valued product to those who will pay the highest price and the "lifting" (balloon helium business) segment of the helium market is left paying the premiums for the remaining product.

We have been notified of price increases to be passed down over the next 6 months that may total between 40 to 50 percent. Increases of this magnitude are usually unheard of but the unique demand on this product has caused this to be a reality. We will stay ahead of these increases with notifications to our customers as they become necessary. We expect to see the first increase this June and the second in November. We negotiated a multi-stepped increase to lessen the impact to you and your customers. We remind you that these increases will be affecting the entire helium sales arena at one time or another over this timeframe and market pricing as we know it today will be a thing of the past. We will continue to work diligently to find the most economic sources of product within the region. We regret the need for these changes but as we cannot control the factors driving this, we must prepare to ride this out along with you, our valued customers.

We thank you again for your business and remain steadfast in our approach to offer you a reliable and cost effective supply of gases into the future.

Sincerely,

Ralph M. Cohan
V.P., Sales/Operations